

Message Text

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ACTION EUR-12

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TO SECSTATE WASHDC 9877

INFO AMEMBASSY COPENHAGEN

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AMEMBASSY STOCKHOLM

USMISSION EC BRUSSELS

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E.O. 11652: N/A

TAGS: ENRG, EIND, EFIN, NO

SUBJ: NORWAY NEGOTIATES TAKEOVER OF BRITISH PETROLEUM INTERESTS

1. MINISTER OF INDUSTRY ULVESETH INFORMED PARLIAMENT ON JUNE 9 OF NEGOTIATIONS FOR PURCHASE BY THE GOVERNMENT OF NORSK BRAENDSELOLJE (NB) WHICH IS 50 PERCENT OWNED BY BRITISH PETROLEUM AND 50 PERCENT OWNED BY PRIVATE NORWEGIAN SHARE HOLDERS. AGREEMENT IS EXPECTED BY MID-AUGUST AND WILL BE SUBJECT TO PARLAIMENTARY APPROVAL IN THE FALL. THERE IS NO HARD INFORMATION ABOUT THE TAKEOVER PRICE, BUT AT CURRENT MARKET VALUE, BP'S SHARE IN NB IS WORTH ABOUT \$60 MILLION.

2. NB IS ONE OF NORWAY'S THREE MAJOR DISTRIBUTORS OF PETROLEUM PRODUCTS WITH 1,300 GAS STATIONS AND A MARKET SHARE OF ABOUT 20 PERCENT. IN ADDITION THE COMPANY HAS
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A 40 PERCENT INTEREST IN THE NEWLY OPENED MONGSTAD

REFINERY. NORSK HYDRO, WHICH IS 51 PERCENT GOVERNMENT OWNED, HOLDS THE REMAINING 60 PERCENT. THE TAKE OVER WILL EASE DEMANDS ON BP FOR OPERATING CAPITAL FOR THE REFINERY OF WHICH IT IS REPORTED \$20 TO \$30 MILLION WILL BE REQUIRED, MUCH MORE THAN EXPECTED.

3. ACCORDING TO AN NB OFFICIAL, THE DECISION TO PURCHASE NB WAS TAKEN SOME MONTHS AGO BUT THE MINISTRY OF FINANCE. THE NB OFFICIALS STRESSED THAT ANY SALES AGREEMENT MUST BE ACCEPTED BY BOTH BRITISH AND NORWEGIAN SHAREHOLDERS AND THAT NEGOTIATIONS MAY BE LENGTHY.

4. THE INITIATIVE REFLECTS THE NORWEGIAN GOVERNMENT'S DESIRE TO ESTABLISH A STATE CONTROLLED NATIONAL DISTRIBUTION SYSTEM FOR ITS OWN PETROLEUM PRODUCTS. IT IS APPARENT FROM THE DEBATE IN PARLIAMENT THAT NB'S PRODUCTION AND DISTRIBUTION FACILITIES WILL BE MANAGED OR CONTROLLED BY STATOIL, NORWAY'S PUBLIC SECTOR OIL COMPANY.

5. THE LABOR GOVERNMENT'S PROPOSAL WAS APPROVED WITH SUPPORT FROM THE LEFT DESPITE STRONG NON-SOCIALIST OPPOSITION WHICH FOCUSED ON THE GOVERNMENT'S FAILURE TO INFORM PARLIAMENT ABOUT ITS PLANS AND TO SUBMIT FOR PRIOR DEBATE THE PRINCIPLE OF STATOIL INVOLVEMENT IN PETROLEUM REFINING AND DISTRIBUTION.
BYRNE

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